

Message Text

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AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

AMCONSUL MILAN

AMCONSUL NAPLES

C O N F I D E N T I A L ROME 9173

E.O. 11652: GDS

TAGS: PINT, IT

SUBJECT: THE SOCIALISTS AND CHRISTIAN DEMOCRATS SORT OUT
THEIR OPTIONS

REF: ROME 9148

SYMMARY: THE ATMOSPHERE IN BOTH THE SOCIALIST (PSI) AND
CHRISTIAN DEMOCRATIC (DC) PARTIES REMAINS ONE OF UNCERTAINTY
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AND CONFUSION AS THE SOCIALISTS PREPARE A REPLY TO THE DC'S

OFFER TO NEGOTIATE A RETURN TO THE FOUR-PARTY CENTER-LEFT. THE SOCIALISTS WILL ALMOST CERTAINLY REJECT THIS OFFER FOR THE TIME BEING, BUT WILL PUT OFF ANY BREAK. COOLER HEADS IN ALL CENTER-LEFT PARTIES ACCEPT THAT THE SOCIALISTS ARE IN NO POSITION TO RETURN TO GOVERNMENT AT THIS TIME, AND ADVOCATE CONTINUATION OF THE MORO GOVERNMENT UNTIL FALL TO ALLOW TIME FOR BOTH THE DC AND PSI TO SORT OUT THEIR OPTIONS. NEVERTHELESS, THE POSSIBILITY OF A PLUNGE INTO A GOVERNMENT CRISIS THIS SUMMER CANNOT BE RULED OUT. THE SOCIAL DEMOCRATS (PSDI), WHO MEET JUNE 27, WILL FOLLOW THE REPUBLICAN PARTY (PRI) LEAD IN ACCEPTING UNEQUIVOCALLY THE DC PROPOSAL, AND IN PLEDGING SUPPORT FOR THE MORO GOVERNMENT UNTIL A NEW CENTER-LEFT CAN BE FORMED. END SUMMARY.

1. THE SOCIALISTS (PSI) ARE MEETING JUNE 26 TO FASHION A REPLY TO THE CHRISTIAN DEMOCRATIC (DC) INVITATION TO RECONSTITUTE THE FOUR-PARTY CENTER-LEFT, AND FOR THEIR FIRST FORMAL CONSIDERATION OF THE CHANGES WROUGHT BY THE VOTE OF JUNE 15. HOWEVER, PUBLIC STATEMENTS BY PSI LEADERS, CONFIRMED PRIVATELY TO EMBOFF, HAVE MADE CLEAR WHAT THE MAJORITY INTEND THE REPLY TO BE. THE CENTER-LEFT FORMULA IN ITS ORIGINAL CONCEPTION (1962) WILL BE DECLARED DEAD; AND A NEW DEMAND WILL BE MADE FOR "PROFOUND CHANGES" IN THE DC, THE METHOD OF GOVERNING, AND THE GOVERNMENT'S PROGRAMS: SOCIALIST PARTICIPATION IN OR SUPPORT FOR A NEW COALITION WILL BE CONDITIONED ON A NEW PSI-DC RELATIONSHIP WHICH IN EFFECT WILL BE A DEMAND FOR A TWO-PARTY GOVERNMENT, OPEN TO THE REPUBLICANS (PRI) IN A SUBORDINATE ROLE, AND EXCLUDING, IF POSSIBLE, THE SOCIAL DEMOCRATS. TO ATTEMPT TO AVOID A HIATUS IN GOVERNMENT WHILE NEGOTIATIONS ON SOCIALIST TERMS TAKE PLACE, SUPPORT FOR THE MORO GOVERNMENT WILL PROBABLY BE CONTINUED, AT LEAST UNTIL THE FALL.

2. THIS POSITION WILL IN FACT BE A TEMPORIZING COVER TO GIVE THE SOCIALISTS TIME TO RESOLVE THE PAINFUL DILEMMA THEY CONFRONT. GIVEN THE POSSIBILITY THAT THE NEXT NATIONAL ELECTIONS WILL SHOW THE SAME TRENDS AS THE REGIONAL VOTE OF JUNE 15, HOW CLOSELY CAN THE PARTY AFFORD TO

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ASSOCIATE ITSELF WITH THE DC IN THE MEANTIME? THE PARTY BELIEVES THAT LAMBASTING THE DC PROVED TO BE A MORE EFFECTIVE MEANS OF GAINING VOTES THAN PARTICIPATION IN CENTER-LEFT GOVERNMENTS. ALL SOCIALISTS AGREE THAT THEIR DISAPPOINTING PERFORMANCE COMPARED TO THAT OF THE PCI WAS BECAUSE THE PCI'S OPPOSITION TO DC GOVERNMENT WAS MUCH MORE CREDIBLE. AMONG THE RANK AND FILE, THE PULL TO GO INTO OPPOSITION IS NOW, THEREFORE, VERY STRONG, AND

CANNOT EASILY BE OPPOSED, WITHOUT DC CONCESSIONS WHICH CAN BE PRESENTED AS A STRONG SHIFT TO THE LEFT.

3. THE ATMOSPHERE IN THE CHRISTIAN DEMOCRATIC PARTY IS ONE OF CONCERN AND CONFUSION COMBINED WITH AN INCREASING DEGREE OF SELF-CRITICISM. NO CLEAR POLICY LINE HAS YET EMERGED FROM THE MAJORITY CENTER FACTIONS. THERE, THE TENDENCY IS TO VIEW THE HEAVY PCI GAINS WITH OPEN ANXIETY, BUT TO OPPOSE ANY HASTY ATTEMPTS TO MAKE PARTY SECRETARY FANFANI THE SCAPEGOAT FOR THE PARTY'S RECENT ELECTORAL LOSSES. A RANKING MEMBER OF THE POWERFUL PICCOLI-RUMOR CENTRIST FACTION TOLD EMBOFF THAT HE BELIEVES A DRAMATIC MOVE TO CHANGE FACES AT THE TOP OF THE DC PARTY IS ESSENTIAL TO REGAIN SOME DEGREE OF PUBLIC CREDIBILITY AND THAT FANFANI SHOULD RESIGN. HOWEVER, HE SAID HE WOULD NOT SUPPORT AN EFFORT AT THIS STAGE TO OUST FANFANI AGAINST HIS WILL. THIS SENTIMENT APPEARS TO BE SHARED BY MANY OF HIS PARTY FACTION COLLEAGUES.

4. ON THE RIGHT WING OF THE PARTY, WORRY IS EXPRESSED AT THE POSSIBILITY THAT THE SITUATION WILL MUDDLE ON UNTIL FALL WITH THE ELECTORATE "ANESTHETIZED" TO THE GRAVITY OF RECENT POLITICAL DEVELOPMENTS. SOME ON THE DC RIGHT FAVOR A HARD LINE STAND AGAINST PREDICTABLE SOCIALIST DEMANDS-EVEN AT THE RISK OF EARLY NATIONAL ELECTIONS.

5. THE MODERATE LEFT FORCES IN THE DC, INCLUDING THE FACTION LED BY PRIME MINISTER MORO, CLEARLY FAVOR LEAVING THE MORO GOVERNMENT IN PLACE AS LONG AS POSSIBLE IN THE HOPE THAT SOME KIND OF A WORKABLE CENTER-LEFT CAN BE PUT BACK TOGETHER AGAIN AND THE PERIL

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OF EARLY ELECTIONS AVOIDED.

6. THE TWO SMALL DC LEFT-WING FACTIONS FAVOR A MORE AGGRESSIVE STANCE AND ARE DEMANDING FANFANI'S RESIGNATION AS A PRELIMINARY STEP TOWARD PARTY RENEWAL. ONE LEFT-FACTION LEADER, AGRICULTURE MINISTER MARCORA, HAS THREATENED TO RESIGN HIS PARTY AND GOVERNMENT POSITIONS TO PROVOKE A CLARIFICATION IN BOTH THE PARTY AND GOVERNMENT. HIS RESIGNATION ON POLICY GROUNDS WOULD LIKELY PROVOKE A GOVERNMENT CRISIS. SINCE A CRISIS AT THIS TIME IS REARDED BY MOST ITALIAN POLITICAL LEADERS FROM LEFT TO RIGHT AS A SHOT IN THE DARK, SOME OBSERVERS BELIEVE THAT MARCORA WILL LIMIT HIS RESIGNATION TO HIS POSITION IN THE PARTY DIRECTORATE. HOWEVER, THERE ARE RAPIDLY BUILDING PRESSURES WITHIN THE DC CREATED BY FRUSTRATION AND THE

DESIRE TO "DO SOMETHING" ABOUT "REFORM" WITHIN THE DC; SUCH ACTION COULD HOWEVER RISK PRECIPITATING A PREMATURE GOVERNMENT CRISIS. THE TWO DE LEFT FACTIONS WILL HOLD MEETINGS JUNE 28 TO DETERMINE THEIR NEXT STEPS.

7. THE REPUBLICANS (PRI) HAVE MEANWHILE ACCEPTED THE PROPOSAL TO RECONSTITUTE THE TRADITIONAL CENTER-LEFT GOVERNMENT, AND CALLED FOR CONTINUATION OF THE MORO GOVERNMENT UNTIL THIS CAN BE DONE. THE SOCIAL DEMOCRATS (PSDI) WILL TAKE THE SAME POSITION WHEN THEY MEET JUNE 27. THE MEETING IS ALSO EXPECTED TO BRING EX-PRESIDENT SARAGAT BACK INTO THE PARTY STRUCTURE AS PRESIDENT, CURRENT PRESIDENT TANASSI REPLACING ORLANDI AS SECRETARY. THIS MOVE IS INTENDED TO KEEP THE DOOR OPEN TO RECONCILIATION WITH THE SOCIALISTS.

8. COMMENT: COOLER HEADS IN ALL THE CENTER-LEFT PARTIES AGREE THAT THE SOCIALISTS ARE IN NO POSITION TO REENTER A CENTER-LEFT GOVERNMENT IMMEDIATELY, AND MANY OF THEM SUPPORT TEMPORIZING UNTIL THE FALL, BY EXTENDING THE LIFE OF THE MORO GOVERNMENT, WITH OR WITHOUT A RESHUFFLE. INDEED, IT IS UNLIKELY THAT EITHER THE DC OR THE PSI WILL BE ABLE TO SORT OUT THEIR INTERNAL DIFFERENCES UNTIL THE FALL. UNTIL, HOWEVER, A BETTER READING OF THE STRENGTH OF THOSE ELEMENTS IN BOTH PARTIES WHICH FAVOR MORE IMMEDIATE AND DRASTIC ACTION
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IS AVAILABLE, THE POSSIBILITY THAT A GOVERNMENT CRISIS WILL OCCUR THIS SUMMER CANNOT BE RULED OUT.
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